



**Speaker**

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*Member Executive Board / Chief Financial Officer*

# Achmea Senior Transaction

Investor Presentation | May 2020

# Programme



**Part I: Proposed transaction**



**Part II: Achmea Overview**



**Part III: Capital management**



**Part IV: Update Covid-19**



Interpolis: AutoModus

# Proposed transaction and rationale

## Rationale

- Refinancing of existing Achmea B.V. EUR750m 2.5% senior unsecured notes maturing in November 2020

<b>Issuer</b>	Achmea B.V.
<b>Expected Issue Ratings</b>	BBB+ / A- (S&P / Fitch)
<b>Format</b>	Senior Notes, RegS Bearer
<b>Size</b>	EUR Benchmark
<b>Tenor</b>	7-years
<b>Ranking</b>	The Senior Notes constitute direct, unsecured and unsubordinated obligations of the Issuer
<b>Coupon</b>	Fixed, Annual ACT / ACT (ICMA)
<b>Issuer Call Option</b>	3 months par Call Option, as more fully described in the Prospectus
<b>Governing Law / Listing</b>	Dutch law / Irish Stock Exchange (Euronext Dublin), Regulated Market
<b>Denominations</b>	EUR 100k + 1k
<b>Documentation</b>	EUR 5,000,000,000 Debt Issuance Programme
<b>Use of Proceeds</b>	General corporate purposes

# Programme



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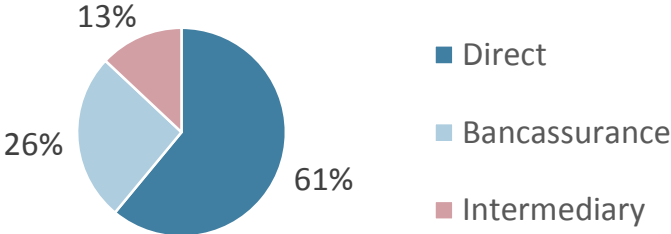
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# Achmea is a leading Dutch player with strong brands, diversified distribution and innovative services

## Strong brands with high customer satisfaction



## Strategic focus on fast-growing and highly appreciated online distribution and bancassurance through Rabobank



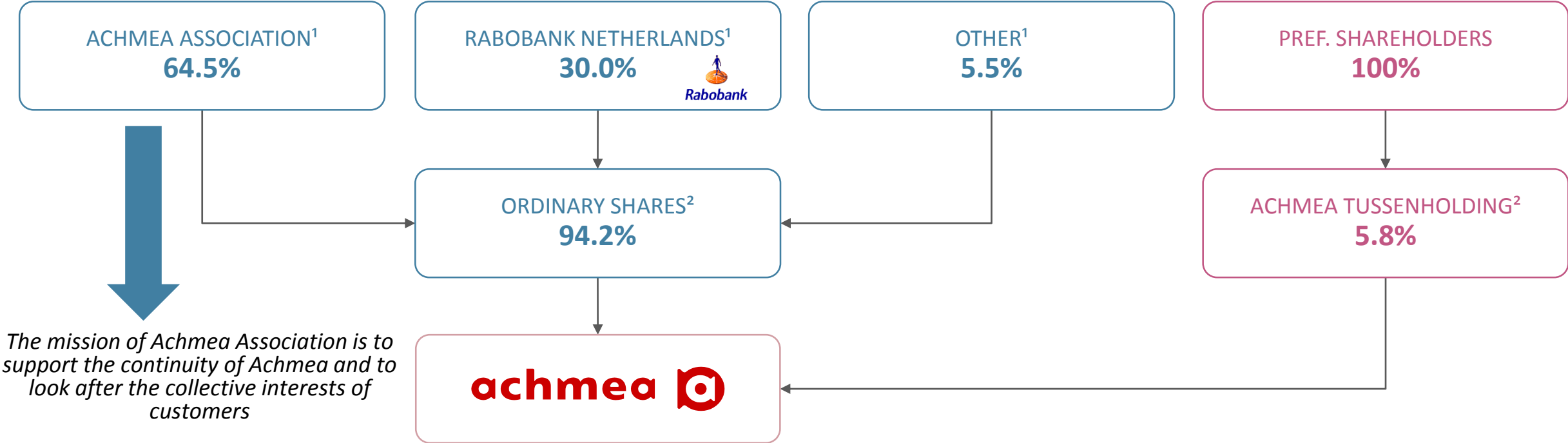
## Leading in mobile and online services; proven success with launch of new concepts



## Large customer base with over 10 million customers in the Netherlands



# Two large cooperative shareholders contribute to stability



<sup>1</sup> Owners of capital rights | <sup>2</sup> Owner of voting rights

Note: Diagram shown is a simplified version. For further details of shareholders including current capital and voting rights, please refer to the website - <https://www.achmea.nl/en/about-us/organisation/shareholders>

# Strategic ambitions “Delivering Together” (2017-2019) achieved

## Consolidation of our position



- Retained market leadership and strong premium growth Non-Life (+12%) and Health (+8%)
- Strong customer appreciation for our brands
- Growth international activities in Greece, Slovakia, Turkey and Australia achieved
  - Divestment Irish life insurance company Friends First
- Long duration closed-book Pension & Life organisation with strong profitability

## Expansion of existing business models



- Development of Centraal Beheer to all-round (financial) service provider
- Launch digital insurer ‘Onlia’ in Canada based on the Inshared platform
- Expansion foreign activities to neighbouring countries
- ‘Retirement Services’ offers solutions for pensions, capital accumulation and living → Launch CB APF and strong growth of asset management activities

## Digital interaction



- Increased opportunities for digital interaction through new platforms and omnichannel strategy
- New innovations and services increasingly based on digital interaction and online connectivity in order to increase speed and efficiency (Klushulp, Telemonitoring)
- Digital enablers put in place: cloud strategy, IoT-platform, agile way-of-working, back-office uniformity

## Strategic innovations



- Through ‘Zorg Veilig Thuis’ (healthcare at home) and an increasing number of treatments is offered in the comfort of one’s own home (chemotherapy, immunotherapy, dialysis and more) we increase our value to our customers
- Launch Achmea Innovation Fund
- Introduction of services and apps with a focus on prevention and societal impact
  - Actify, Homies, AutoModus, BlueLabel

# Financial targets “Delivering Together” also successfully executed, whilst maintaining strong solvency

	2017	2018	2019
<b>Operational result</b>	€349m	€391m	€547m
<b>Reduction of operating expenses</b>	€117m	€58m	€98m
<b>Fixed-Charge Coverage Ratio (FCCR)</b>	3.4x	4.4x	5.3x
<b>Debt-leverage ratio</b>	25.9%	26.5%	24.9%
<b>Solvency II</b>	184%	198%	214% <sup>1</sup>
<b>Free Capital Generation (FCG)</b>	€679m	€676m	€546m

## Strong performance Delivering Together

- Results improved and volatility reduced
- Structural decrease of operating expenses due to digitization, automation and IT-rationalisation
- Cost reduction of ~€275 million achieved; well in excess of structural cost reduction target of €200 million
- FCCR increased to well-above 4.0x (2019: 5.3x)
- Debt-leverage healthy and further improved
- Solid solvency position due to good results, balance sheet optimisation and developments on financial markets
- Strong FCG due to operational performance and capital release from service-book



# Good result 2019 supported by Non-Life, Pensions & Life and Other activities

Segment results (in € million)	2018	2019
Non-Life	97	178
Pension & Life	334	363
Retirement Services	15	30
International activities	29	22
Other activities	-212	-108
<b>Operational result (Excl. Health)</b>	<b>263</b>	<b>485</b>
Health	128	62
<b>Operational result</b>	<b>391</b>	<b>547</b>

## Non-Life

- Results and combined ratio improved due to portfolio growth, claims reduction and premium adjustments. 2018 result influenced by January storms

## Pension & Life

- Sustained strong contribution to result with improved technical and investment results

## Retirement Services

- Increased result due to growth and one-off fair value result

## International activities

- Result lower as a consequence of higher claims due to the wildfires in Australia and incidental results on Health in 2018

## Other activities

- Result improved due to higher result Achmea Reinsurance and lower reorganisation expenses

## Health

- Positive result on current underwriting year basic and supplementary insurance
- Higher claims on basic health prior years impacted result

# Strategy 2020-2022: 'The Sum of Us', focused on accelerated (digital) transformation

**We contribute to a healthy, safe and future-proof society**  
**We do this by conducting the business of insurer, asset manager and (financial) services provider**

**We choose to focus on five strategic focus areas**

Good health closer to everyone

Clean, safe and smart mobility

Safe living and working environments

Carefree entrepreneurship and good employment practices

Financial solutions for now, tomorrow and later

**And we want to distinguish ourselves in three Sustainable Development Goals**



# To achieve our ambitions, we accelerate through ten strategic themes



# In support of this strategy, we have ambitions for our five market-oriented chains



## **Non-life: Profit pillar and online distribution champion**

- Build on market leading positions, strong brands and distribution
- Strong profitability due to actions such as improved underwriting performance, claims management and premium measures



## **Health: Stable contribution to the result in the medium term**

- Balance market share, results, solvency and solidarity
- Manage short term market and political challenges



## **Retirement services: investing in a growing business**

- Grow in market with integrated capital-light proposition
- Develop Centraal Beheer brand into an allround (financial) service provider



## **Pension & Life: servicing our closed book and growing term life**

- Optimise profit and value of Pension & Life as closed-book while maintaining high customer satisfaction



## **International: Accelerate, Disrupt and Create**

- Leverage on the core capabilities (e.g. online) of the group in existing and new countries

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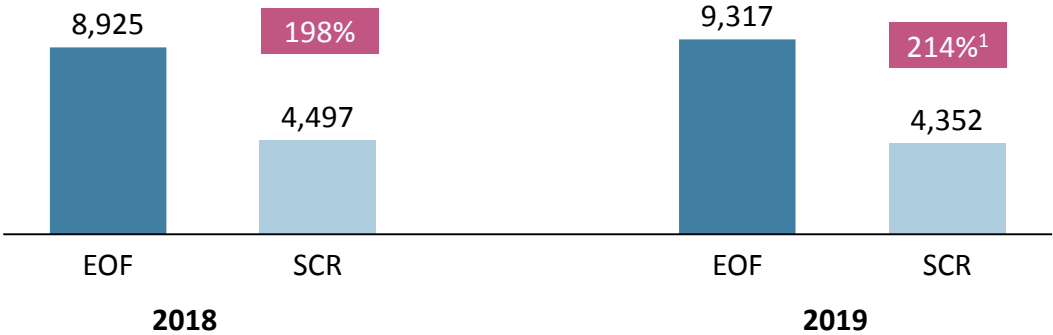


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# Strong Solvency II capital position

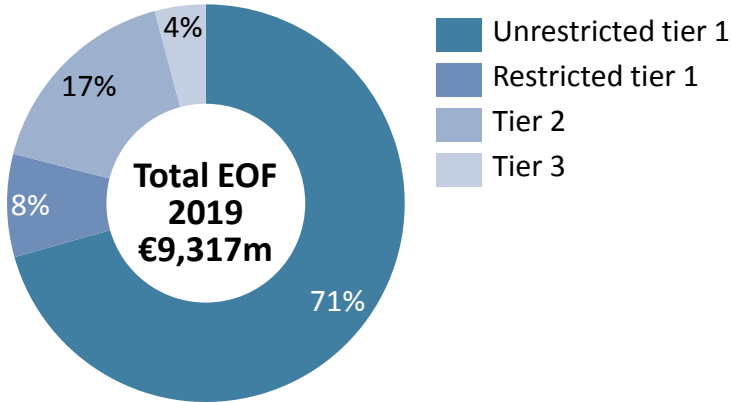
## Solvency II ratio (PIM)

(in € million)



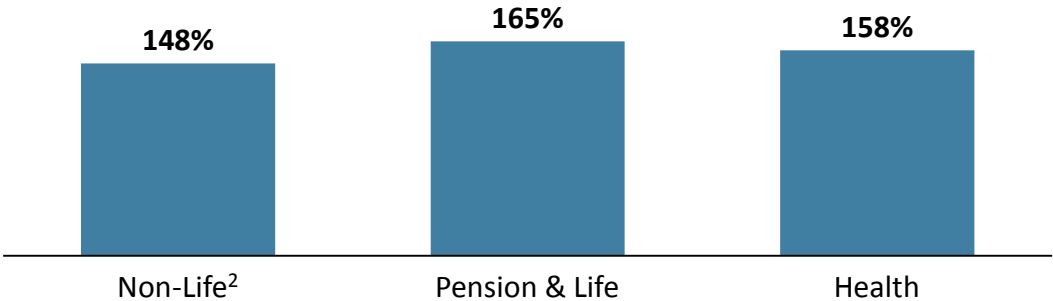
## Tiering of capital

(in %)



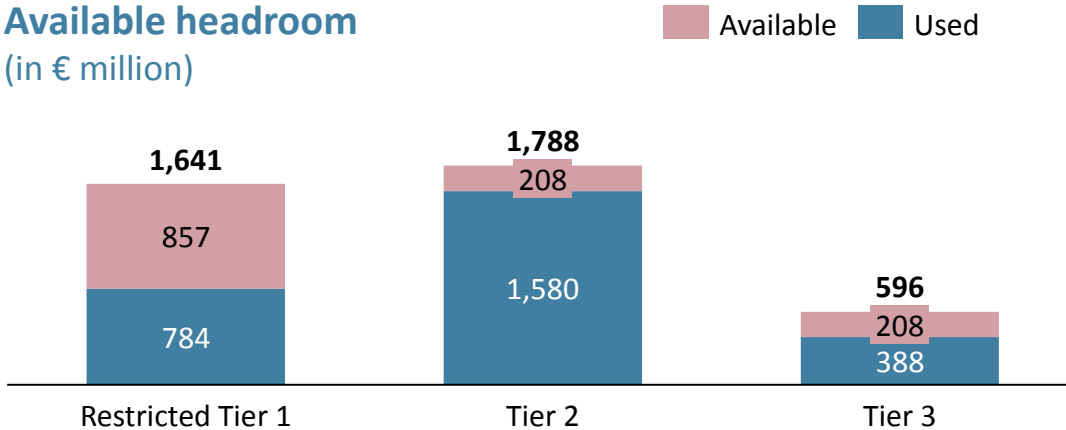
## Solvency II ratio (PIM)

(2019, legal entities)



## Available headroom

(in € million)

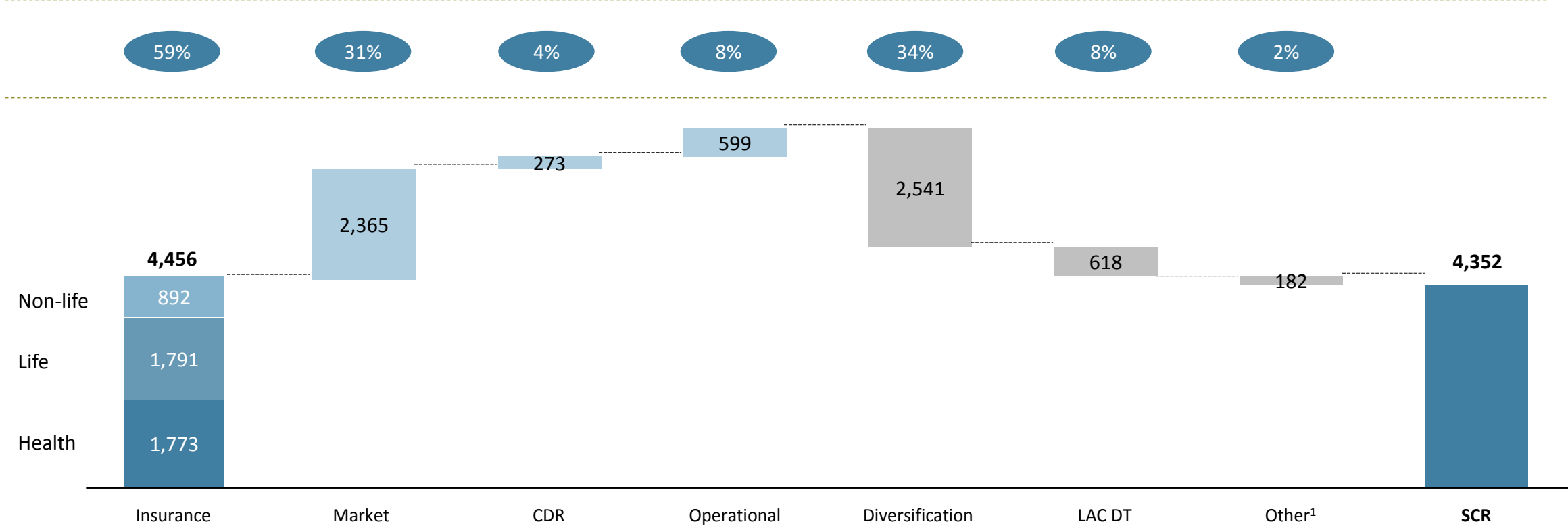


# Solvency II capital predominantly allocated to underwriting risk in line with our risk appetite...

## Allocation of SCR 2019

(in € million)

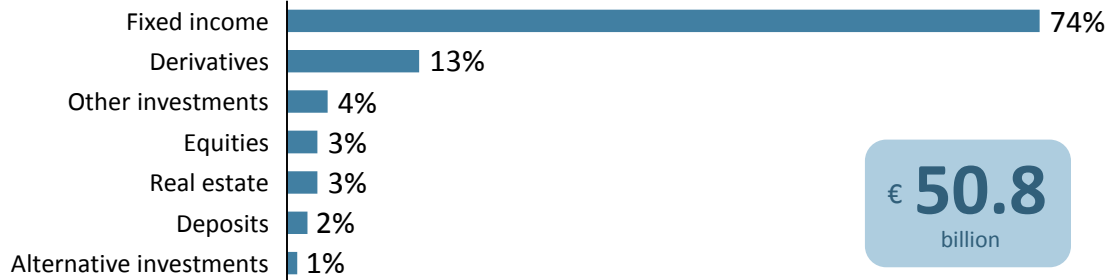
As a % of SCR (excl. diversification and LAC DT)



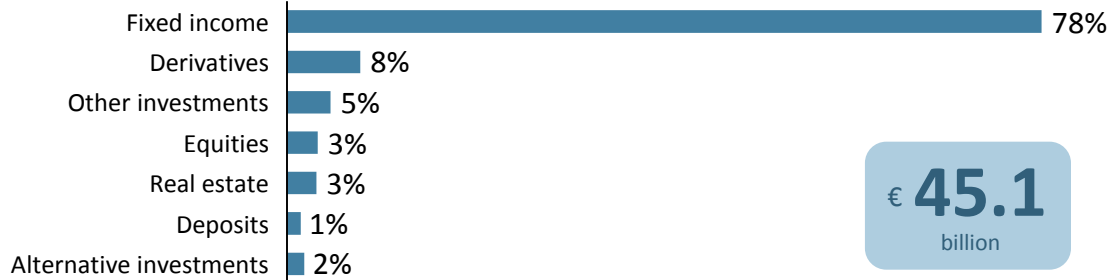
<sup>1</sup> 'Other' includes Intangible Asset Risk, Loss-Absorbing Capacity of Technical Provisions and Expected Profits, and SCR Other Financial Sectors & Other Entities

...in combination with a conservative asset book, which is gradually being optimised through efficient use of the internal model for market risks

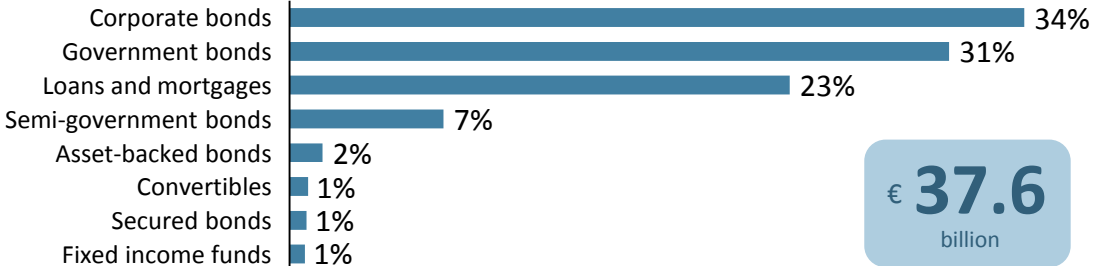
**Total investment portfolio**  
(2019, in %)



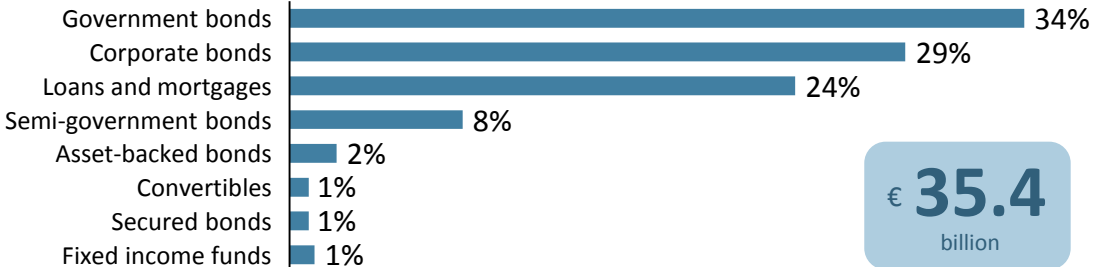
**Total investment portfolio**  
(2018, in %)



**Fixed income portfolio**  
(2019, in %)



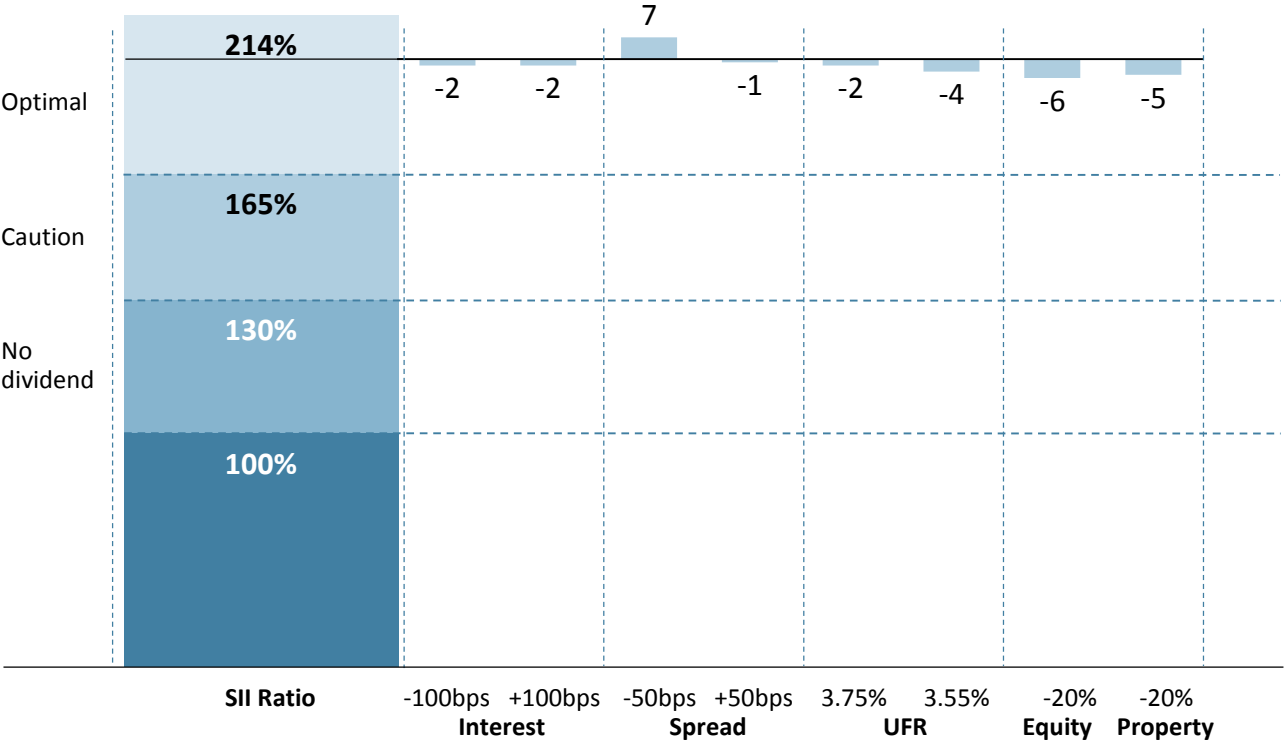
**Fixed income portfolio**  
(2018, in %)





# Sensitivities Solvency II: impact from financial markets per Q1 2020 manageable

## Solvency II Sensitivities 2019



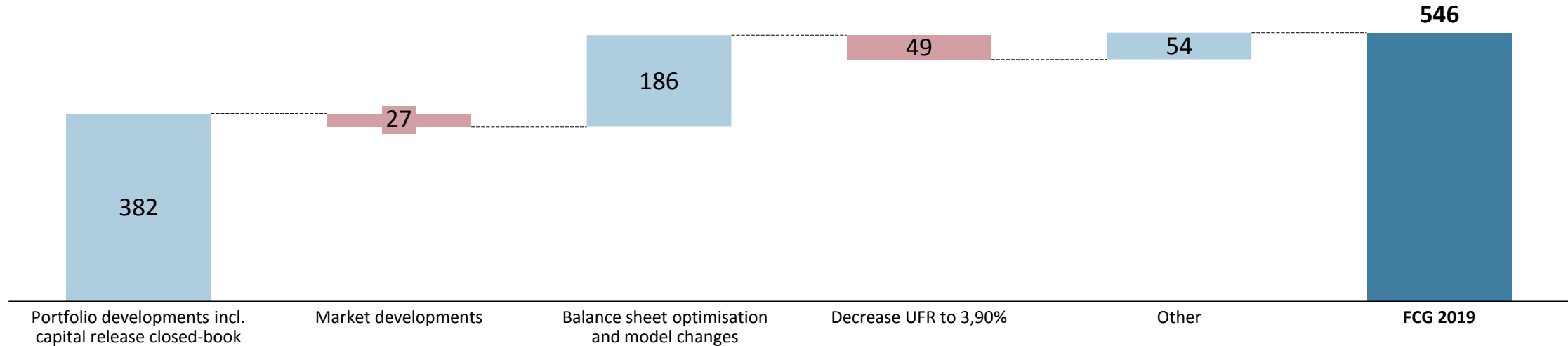
- The negative impact from financial markets per Q1 manageable due to a prudent investment portfolio and limited sensitivities with regard to developments in the financial markets.
- The sensitivities are calculated based on the partial internal model which includes market risk as of 1 July 2018
- Spread sensitivities are calculated using parallel shocks. The sensitivities can be different in case of disparity in the spread movements
- Interest rate sensitivities are limited as a result of our capital hedge and in line with our policy bandwidth
- Limited spread sensitivity as spread impact on assets is mitigated by impact VA on liabilities

# Free Capital Generation supported by results and balance sheet optimisation

Portfolio developments and balance sheet optimisations more than offset unfavourable market developments

## Free Capital Generation 2019

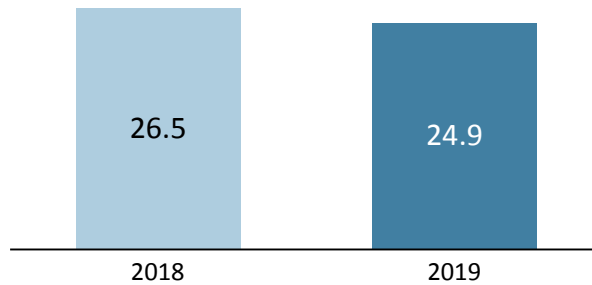
(In € million)



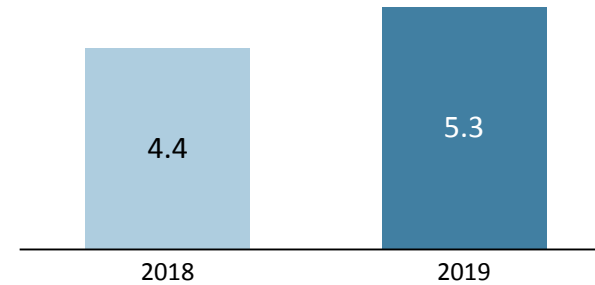
- Improved results, dividends from banking and asset management activities and release of capital from the closed book portfolio have a strongly positive contribution to FCG
- Market developments slightly negative due to primarily interest rate and spread developments as well as the decrease of the VA. High returns on equities largely compensate this
- Balance sheet optimisations and model changes as well as the dual-tranche issuance of restricted Tier-1 and Tier-2 capital contributed positively to FCG

# Improved debt-leverage ratio, FCCR and liquidity; S&P & Fitch outlook stable

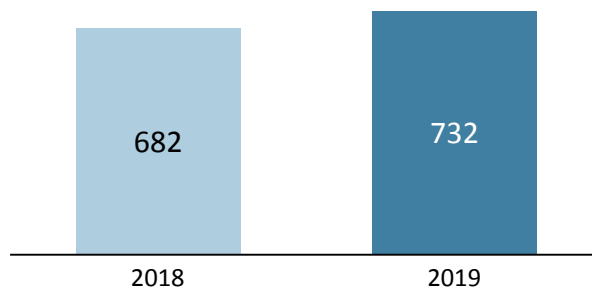
## Debt-leverage ratio (in %)



## Fixed charge coverage ratio



## Liquidity (in € million)



## Ratings

S&P Global

A

Fitch  
Ratings

A+

## Financial ratios

- Decreased debt-leverage ratio due to redemption of CHF 200 million loan and an increase of equity
- Redemption of the €600 million 'Restricted Perpetual Tier-1' bond combined with the dual-tranche issuance of €500 million Restricted Tier 1 Notes and €250 million Tier 2 Notes partially mitigates the improvement of the debt-leverage ratio
- FCCR further increased to 5.3x due to the increased operational result

## Liquidity

- Holding cash position solid and slightly increased

## Ratings

- S&P rating core insurance entities reaffirmed at 'A' with an upward adjustment of the outlook to 'Stable'
- Fitch rating core insurance entities reaffirmed at 'A+' with a 'Stable' outlook

# Recent update of Fitch A+ rating with confirmation of Stable Outlook

## S&P Global Ratings

### Current

A (Stable Outlook)

Insurer Financial Strength and Issuer Credit rating of core operating entities

## Fitch Ratings

### Current

A+ (Stable Outlook)

Insurer Financial Strength rating of core operating entities

### Comments

#### Business Risk Profile: Strong

*"Achmea has a strong presence in the Dutch insurance market with an unrivalled dominant position in the health insurance sector, a leading position in the P/C insurance market, and a top-five position in income protection and individual life insurance."*

#### Financial Risk Profile: Strong

*"Average fixed-charge coverage ratios for 2019-2021 are likely to remain above 4x and capital adequacy is likely to remain in excess of the 'A' level under our capital model."*

*"We expect its financial leverage to remain stable at 26%-28% in 2019-2020."*

#### Key Rating Drivers

*"The rating is driven by Achmea's Fitch Prism Factor Based Capital Model (Prism FBM) score remaining 'Very Strong' under our coronavirus pandemic rating-case assumptions<sup>1</sup>."*

*"Fitch expects Achmea's liquidity position to remain adequate in 2020 under our stress assumptions."*

*"Fitch assesses Achmea's investment and asset risk as 'Very Strong' based on a low risky assets-to-equity ratio, which we do not expect to materially increase under our pro-forma analysis"*

### Concerns

#### Downside Scenario

*"We could lower the ratings over the next two years if profitability is below our expectations, preventing Achmea from maintaining capital adequacy and funding structure within our forecasts."*

#### Downside Scenario

*"Factors that could, individually or collectively, lead to negative rating action/downgrade:*

- A material adverse change in Fitch's rating assumptions with respect to the coronavirus impact*
- ...if net income ROE falls below 3% on a sustained basis.*
- ...if the Prism FBM score falls below 'Very Strong' or if FLR increases above 30% for a sustained period*

### Remarks

#### Target: A

- Achmea has demonstrated stable and improved operating earnings in the past two years, which reduced pressure on the group's fixed-charge coverage and earnings volatility.
- The outlook is stable because S&P believes that the group will sustain improvements in operating performance and fixed-charge coverage, while maintaining capital in excess of the 'A' level

#### Target: A+

- Financial leverage currently healthy and remote distance from Fitch 30% concern even in coronavirus pandemic rating case assumptions
- Decrease in ROE under stress assumptions, could be offset by a substantial decrease in admittances of non-coronavirus related patients. Fitch expect earnings to return to a normalised run-rate in 2021

1) Stress Case Sensitivity Analysis: Fitch's stress case assumes a 60% stock market decline, two-year cumulative high-yield bond default rate of 22%, high-yield bond spreads widening by 600bp, more prolonged declines in government rates, heightened pressure on capital-market access, a coronavirus infection rate of 15% and mortality rate of 0.75%, and an adverse non-life industry-level loss ratio impact of 7pp for COVID-19 claims that partially offset by a favourable 2pp impact for motor. The stress case uses bespoke assumptions of 3% non-performing loan ratio for Dutch residential mortgages and a hospitalisation rate of 5%. The implied-rating impact under the stress case would be a downgrade of up to two notches.

Sources: S&P report 18 November 2019; Fitch rating affirmation 29 April 2020

# Well-distributed maturity profile and good access to capital markets

Improved our capital position and maturity profile through recent dual-tranche issuance

Instrument	Tiering under SII	Comments
€500m Perpetual Restricted Tier 1 @ 4.625%	Tier 1	Callable as of March 2029
€250m Tier 2 @2.5%	Tier 2	Callable as of June 2029
Senior Unsecured €750m @ 2.5%	Debt	Maturity November 2020
Preference shares €311m @ 5.5%	Tier 1 (grandfathered)	Coupon reset in 2023
Perpetual €750m @ 4.25%	Tier 2	Callable from February 2025
Subordinated debt €500m @ 6.0%	Tier 2	Maturity 2043. Callable as of April 2023
Credit facility €1,000m (undrawn)	Debt	Maturity 2024. Replacement of the previous €750m credit facility

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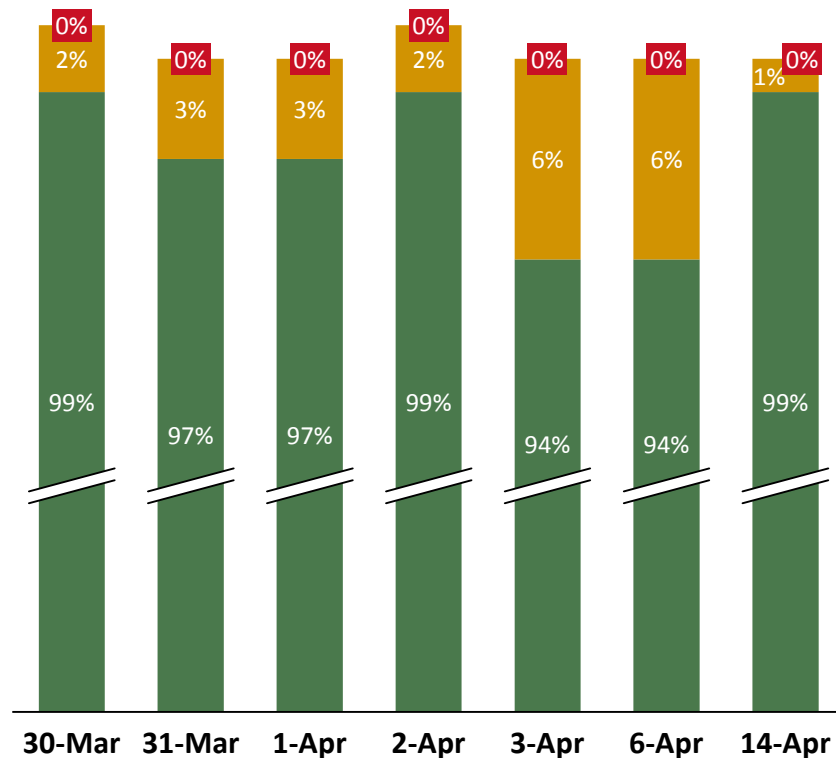
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# Dealing with COVID-19: Continuity of business operations ensured

Working from home possible for almost all employees and all critical processes are under control

## Performance levels of critical processes

(in % of total number of critical processes)



- Close monitoring of Board through Management Board calls three times a week to discuss external and internal developments
- IT-infrastructure facilitates working from home for over 11,000 employees, servicing up to 80,000 calls a day without significant performance issues
- Critical process safeguarded; only 6% of processes suffered from lower performance but never was the performance unacceptable
- Multichannel customer service facilitated from home
- 99.5% of calls by call center employees done from home; audio quality consistently rated strong while customer waiting times remained well within acceptable ranges
- Online tooling for management to help employees achieve a good work/life balance by maintaining vitality and increasing flexibility
- Active communication strategy for internal and external stakeholders

# Initial impact assessment COVID-19

We are well-capitalised; Solvency II levels and liquidity substantially above target levels per Q1

## Strong financial position

- We are in a good position: Capital position and Solvency II levels are robust in Q1 and substantially above our target levels
- Optimal diversification with positively and negatively impacted business lines, combined with a conservative asset profile

## Business impact expected to be relatively limited due to balance of positive and negative developments

Uncertainty regarding duration and intensity of this pandemic

- Non-life:
  - Travel and Event insurances are negatively impacted. Claims in Income and absenteeism have so far been in line with previous years, but may increase over time due to the longer duration of the pandemic and illnesses
  - Positive claims development in Motor and Fire
  - Combined net impact Non-life COVID-19 expected to be small which, however, depends on the duration, development and nature of government measures
- In Health, we see a decrease in the demand for elective care combined with higher hospital and ICU admissions with regard to corona. However, the claim costs will depend on the duration and intensity of the pandemic and the way in which the sector-wide agreed upon measures will be worked out
- At Pension and Life, exposure is limited due to the composition of the portfolio and a larger longevity than mortality risk
- In the International and Other activities, the impact is primarily limited to lower turnover. The commercial consequences partly depend on the duration and intensity of COVID-19

## Financial markets impact has been negative but manageable due to prudent investment portfolio and limited sensitivities

- Financial markets decreased substantially, Solvency movements manageable and in line with disclosed sensitivities
- Capital and liquidity positions per Q1 are robust and solvency is substantially above target levels





For further questions please contact:



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Investor Presentation | May 2020

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